

June 8, 2000

539 Economists Agree:

**Price Controls Cause Patients to Suffer
“Significant Harm to Health, Even Death”**

In February of this year, 539 economists signed an open letter (reprinted below) to federal lawmakers voicing their opposition to medical price controls.

**An Open Letter from 539 Economists
from All 50 States on Health Care Policy Reform**

Dear President Clinton and All Members of Congress:

For thousands of years, governments have tried to control prices. The universal experience has been that price controls produce shortages, black markets, reduced quality, and economic hardship.

Now, once again, programs to control health care prices are on the policy agenda. Under the guise of controlling Medicare costs and shielding the elderly from “unfair” prescription-drug prices, current proposals would restrict discounts on drug prices, cap health care spending, and limit insurance premiums. Among those adversely affected would be hospitals, members of managed care organizations, public health clinics, and government programs such as Medicaid and the Veterans Health System, which, because of their mass-buying power, are able to negotiate favorable drug prices for patients.

In countries with price controls, health care services are severely rationed. Patients wait months and sometimes years for surgery, suffering significant harm to health, even death, as a result. Government bureaucrats, rather than doctors or patients, select treatments. Pharmaceutical innovation languishes. In recent decades, American health care firms have created hundreds of new drugs, devices, and other medical products that have saved millions of lives, not only in the United States but around the world. The best way to save millions more is to enhance the incentives to research, develop, and market new health care products. Existing price controls and other trade restrictions affecting health care goods and

services should be removed in order to encourage dynamic entrepreneurship in competitive markets. The result will be lower prices, greater innovation, and higher quality.

Despite claims to the contrary, price controls do not reduce medical costs. Nor do they call forth improved health care services. Instead, they produce lower-quality medical care, reduced innovation, and costly new bureaucracies to monitor compliance, adding to the burdens of health care providers already entangled in red tape. Price controls harm consumers of medical services, especially those most in need of health care services.

We urge you to oppose all forms of price controls in any health care reform.

The signatories include past presidents of the American, Eastern, Southern, and Western Economic Associations, plus economists from UVA, Harvard, Yale, Stanford, Princeton, Chicago, UCLA, Michigan, Columbia, George Mason University, Dartmouth, Johns Hopkins, Illinois, Emory, Texas, Duke, and NYU.

The letter was sponsored by several groups representing about 1.2 million Americans: the National Taxpayers Union, the Association of American Physicians and Surgeons, the Cancer Research Institute, the Hispanic Business Roundtable, the Independent Women's Forum, the International Patient Advocacy Association, the National Kidney Cancer Association, the Non-Commissioned Officers Association of the U.S.A., the Small Business Survival Committee, and the United Seniors Association.

Listing the signatories' names would consume five pages, but they may be viewed at <http://independent.org/tii/news/OpenLetterHealthCare0002.html>.

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